

Message Text

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DRAFTED BY:EUR:RPE:JTMCCARTHY

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

C O N F I D E N T I A L STATE 036150

FOLLOWING TELEGRAM FROM SECSTATE WASHDC DATED FEBRUARY 13,
1976 SENT COLOMBO, LONDON, ROME, NEW DELHI, CALCUTTA,
NAIROBI, GENEVA, MTN GENEVA, OECD PARIS, JAKARTA, CANBERRA
IS REPEATED TO YOU: QUOTE

C O N F I D E N T I A L STATE 036150

E.O. 11652: GDS

TAGS: ETRD, EAGR

SUBJECT: MULTILATERAL TEA DISCUSSIONS

REFS: (A) COLOMBO 410; (B) ROME 1928; (C) NEW DELHI 1529;
(D) LONDON 120; (E) LONDON 19521

ROME FOR FODAG

1. IN HIS SPEECH BEFORE THE SEVENTH SPECIAL SESSION OF
THE U.N. ON SEPTEMBER 1, 1975, SEC. KISSINGER STATED
QUOTE - WE RECOMMEND THAT A CONSUMER-PRODUCER FORUM BE
ESTABLISHED FOR EVERY KEY COMMODITY TO DISCUSS HOW TO
PROMOTE THE EFFICIENCY, GROWTH, AND STABILITY OF ITS
MARKET. UNQUOTE

2. THE FAO INTERGOVERNMENTAL GROUP ON TEA (IGT) IS
SUCH A FORUM. THE U.S. HAS PARTICIPATED IN COMMODITY
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DISCUSSIONS ON TEA IN THE IGT SINCE 1965. THE LAST

MEETING WAS IN MAY 1974 WHEN A JOINT UNCTAD/FAO MEETING WAS HELD IN ROME.

3. THE GROUP HAS PRODUCED A LARGE AMOUNT OF FACTUAL DATA ON TEA PRODUCTION AND TRADE. WE ENCOURAGE FURTHER INVESTIGATION OF THE PROBLEMS FACED BY TEA PRODUCERS AND THE TEA TRADE. THIS IS THE PRIMARY MISSION OF THE IGT.

4. RECENT EFFORTS BY THE SUB-GROUP OF EXPORTERS OF THE IGT HAVE FOCUSED ON WHAT HAS BECOME KNOWN AS A -QUOTE- MULTI-DIMENSIONAL INTERNATIONAL ARRANGEMENT FOR TEA. UNQUOTE. THE LAST MEETING OF THE SUB-GROUP OF EXPORTERS WAS IN JUNE 1975. THE MAIN FEATURES OF THE "MULTI-DIMENSIONAL" APPROACH ARE A MINIMUM PRICE ARRANGEMENT; THE COORDINATION AND REGULATION OF MARKETING; INTENSIFICATION OF AND COOPERATION IN GLOBAL PROMOTION; RATIONALIZATION OF MARKETING; AND AN INDEPENDENT MARKET INTELLIGENCE SERVICE. THE AGENDA FOR THE FORTHCOMING IGT MEETING HAS NOT BEEN RECEIVED, BUT THE ABOVE ELEMENTS ARE LIKELY TO BE CONSIDERED, AT LEAST BRIEFLY.

5. WE ARE WILLING TO DISCUSS THESE CONCEPTS WITHIN THE AGREED COMPETENCE OF THE FAO GROUP, AS WE HAVE BEEN DOING FOR OVER TEN YEARS. AS EMBASSY AWARE, WE APPROACH EACH COMMODITY AND THE POSSIBILITIES FOR A COMMODITY AGREEMENT IN EACH COMMODITY ON A CASE BY CASE BASIS.

6. OUR PRELIMINARY COMMENTS ON AN ARRANGEMENT ARE SUPPLIED FOR POST BACKGROUND INFORMATION ONLY. THEY INCLUDE:

(A) TEA IMPORTS ARE A MINOR ELEMENT IN OUR TRADE (DOLS 79.4 MILLION IN U.S. IMPORTS FROM ALL SOURCES IN 1974).

(B) PRESSURE FOR AN ARRANGEMENT COMES FROM INDIA AND SRI LANKA, AND THUS FAR HAS RECEIVED LITTLE POSITIVE SUPPORT FROM DYNAMIC EAST AFRICAN TEA PRODUCERS.

(C) A MINIMUM PRICE WOULD PROBABLY HAVE TO BE DEFENDED BY SOME QUANTITATIVE RESTRICTION SUCH AS QUOTAS. HOWEVER, CONFIDENTIAL

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WE THINK EXPORT QUOTAS ARE UNSUITABLE TO TEA BECAUSE (1) THE GREAT DIVERSITY IN TEA TYPES; (2) ITS PERISHABILITY; (3) VARYING DEMAND PREFERENCES FOR DIFFERENT VARIETIES; AND (4) TRANSPORTATION DIFFICULTIES FROM SOME SOURCES (E.G. RWANDA, UGANDA, MALAWI, BANGLADESH, BURUNDI).

(D) CURRENT SUPPLY-DEMAND ESTIMATES POINT TO RELATIVELY

FIRM PRICES FOR THE SHORT TERM AT LEAST.

(E) WE JOIN OTHER PRODUCERS AND CONSUMERS IN SUPPORTING TEA CONSUMPTION PROMOTION. THE U.S. TEA COUNCIL HAS TAKEN A LEAD ROLE IN TEA PROMOTION IN THE U.S. FOR MANY YEARS. THIS PROGRAM IS CONSIDERED A MODEL FOR PROGRAMS IN OTHER COUNTRIES. IT IS FUNDED BY THE U.S. INDUSTRY. THE USG IS NOT PREPARED TO CONTRIBUTE TO A PROMOTION PROGRAM THROUGH A LEVY ON IMPORTS AS IT APPEARS TO BE SUGGESTED BY THE GOVERNMENT OF SRI LANKA IN REFTEL A.

(F) WHAT COORDINATION AND REGULATION OF MARKETING MEANS IS UNCLEAR AT THIS POINT. WE HOPE PRODUCERS CLARIFY THIS ELEMENT IN THE MULTIDIMENSIONAL APPROACH PRIOR TO THE APRIL IGT MEETING.

(G) RATIONALIZATION OF MARKETING APPARENTLY MEANS A GREATER USE OF AUCTIONS IN EXPORTING COUNTRIES. AUCTIONS IN EXPORTING COUNTRIES ARE ALREADY BECOMING MORE IMPORTANT RELATIVE TO THE LONDON AUCTIONS AS AN OUTGROWTH OF NORMAL MARKET FORCES.

(H) THE CURRENT MARKET INTELLIGENCE SERVICE SEEMS TO SERVE THE TEA TRADE WELL. PRODUCERS MIGHT MAKE BETTER USE OF THE SYSTEM AS IT PRESENTLY EXISTS. CONSIDERATION MIGHT BE GIVEN TO THIS AREA OF CONCERN, BUT PRODUCERS HAVE NOT BEEN SPECIFIC ON WHAT THEY WANT.

(I) UK SOUNDING ON THE POSSIBILITY FOR AN INTERNATIONAL TEA AGREEMENT APPARENTLY SHOWED VERY LIMITED INTEREST FROM MOST EAST AFRICAN PRODUCERS. THE UK IS NOW DUBIOUS OVER THE POSSIBILITY FOR A TEA AGREEMENT, EVEN WITHIN THE COMMONWEALTH CONTEXT.

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(J) OUR INTERESTS IN TEA ARE MINOR RELATIVE TO OUR IMPORT INTEREST IN OTHER TROPICAL COMMODITIES (E.G. COFFEE); THEREFORE, WE HAVE NOT TAKEN A LEAD ROLE IN DISCUSSIONS ON TEA ISSUES.

(K) THE U.S. TEA INDUSTRY (MOSTLY OWNED BY UK INTERESTS), TO THE DEGREE IT IS REFLECTED BY THE U.S. TEA ASSOCIATION, HAS THUS FAR OPPOSED A COMMODITY AGREEMENT ON TEA, PARTICULARLY SINCE THE CURRENT SUPPLY-DEMAND SITUATION INDICATES CONTINUED FIRM PRICES. THE INDUSTRY GENERALLY SEEMS TO AGREE WITH PRODUCERS THAT PRICES WERE WEAK IN THE PAST AND UNREMUNERATIVE FOR MANY YEARS; BUT THE INDUSTRY ALSO SEEMS TO FEEL THIS IS NOT A CURRENT PROBLEM NOR LIKELY TO BE FOR THE NEAR TERM FUTURE. END FYI.

7. PRIOR TO THE APRIL FAO IGT MEETING THE USG WILL
DEVELOP SPECIFIC POSITIONS ON AGENDA ITEMS, INCLUDING
AN INTERNATIONAL ARRANGEMENT IF THAT IS TO BE CONSIDERED.
WE EXPECT PROMOTION AND THE MULTI-DIMENSIONAL APPROACH
TO BE CONSIDERED. KISSINGER UNQUOTE INGERSOLL

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